LARRY HOGAN
Governor

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Lieutenant Governor

Maryland
DEPARTMENT OF BUDGET AND MANAGEMENT

DAVID R. BRINKLEY
Secretary

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Deputy Secretary

SENATE BILL 245 Maryland Nonprofit Development Center Program - Nonprofit, Interest-Free, Micro Bridge Loan (NIMBL) Account - Funding (Kagan)

STATEMENT OF INFORMATION
DATE: January 25, 2022

COMMITTEE: Senate Budget & Taxation

SUMMARY OF BILL:. SB 245 mandates a FY 2024 appropriation in the amount of $1 million in the Maryland Nonprofit Development Center Fund; and increases from up to 5% to 5%, from the amount of revenues received by the Small, Minority and Women-Owned Business Account from video lottery terminal (VLT) proceeds (1.5%) in FY 2023 and beyond. The Account balance is capped at $1 million. The funds are to be used for loans made under NIMBL.

EXPLANATION: The Department of Budget and Management's focus is not on the underlying policy proposal being advanced by the legislation, but rather on the $1 million mandated appropriation provision that impacts the FY 2024 Budget. The FY 2023 Budget allocates $150,000 for the Maryland Not-for-Profit Development Fund subprogram and $187,500 for the NIMBL subprogram. The legislation, beginning in FY 2023 would result in a net increase of $812,500 in VLT proceeds to NIMBL,which would total $1 million. In FY 2024, the total appropriation would be $2 million, which includes the new $1 million General Fund mandate and the $1 million of VLT proceeds which is an ongoing allocation. The bill would increase the appropriation for the Maryland Nonprofit Development Center Fund by 492% (FY 2023 allowance to FY 2024).

DBM has the responsibility of submitting a balanced budget to the General Assembly annually, which will require spending allocations for FY 2024 to be within the official revenues estimates approved by the Board of Revenue Estimates in December 2022.

Changes to the Maryland Constitution in 2020 provide the General Assembly with additional budgetary authority, beginning in the 2023 Session, to realign total spending by increasing and adding items to appropriations in the budget submitted by the Governor. The legislature's new budgetary power diminishes, if not negates, the need for mandated appropriation bills.

Fully funding the implementation of the Blueprint for Maryland's Future (Kirwan) will require fiscal discipline in the years ahead, if the State is to maintain the current projected structural budget surpluses. Mandated spending increases need to be reevaluated within the context of this education funding priority and the Governor's tax relief proposals.

Economic conditions remain precarious as a result of COVID-19. High rates of inflation and workforce shortages may be short lived or persist, thereby impacting the Maryland economy. While current budget forecasts project structural surpluses, the impact of the ongoing COVID-19 pandemic continues to present a significant budgetary vulnerability. The Department continues to urge the General Assembly to focus on maintaining the structural budget surplus.

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